



**Minutes
City Council's Finance, Economy &
Veterans' Affairs Committee
December 19, 2006**

Minutes of the City Council's Finance, Economy & Veterans' Affairs Committee held on Tuesday, December 19, 2006, 2:00 p.m., in the 3rd Floor Council Conference Room, Tempe City Hall, 31 E. 5th Street, Tempe, Arizona.

Committee Members Present:

Vice Mayor Hut Hutson, Chair
Councilmember Mark Mitchell

City Staff Present:

Mary Anders, Tempe Police Department
Chris Anaradian, Development Svcs Mgr
Jim Bond, Principal Civil Engineer
Brenda Buren, Police Dept., Bureau Manager
Carlos de Leon, Deputy Pub Wrks Mgr
Amy Douglass, Museum Administrator
Tom Duensing, Deputy Financial Svcs Mgr
Jerry Hart, Financial Svcs Mgr
Julie Hietter, Employee Benefits Administrator
Valerie Hernandez, Human Resources Mgr
Jon O'Connor, Deputy Human Resources Mgr
Mark Richwine, Parks and Rec Mgr
Cecilia Robles, Deputy Financial Svcs Mgr
Chris Salomone, Community Dev Mgr

Guests Present:

Bill Butler, Resident
Charles Huellmantel, Resident
Katie Nelson, *AZ Republic*
Jonathan Thums, Riverside/Sunset Neighborhood Assn

Vice Mayor Hutson called the meeting to order at 2:00 p.m.

Agenda Item 1 – Public Appearances

None.

Agenda Item 4 –RFP Process for City-owned real estate 0403-01

Chris Salomone summarized the current RFP process for City-owned real estate. The negotiation period almost always involves a public process because of the City's normal entitlement process. Recently, the City Council has decided to open this process up. This has been done by bringing the applicants in front of the Council for presentations with public participation and then making the selection in that process. Concerning the parcel to the west of the Center for the Arts, staff was given direction to come back to a January 20th visioning process for the Lake with some ideas for opening up the RFP process. Staff suggests public input prior to issuance of the RFP. Staff is seeking direction to go forward with the January 20th meeting.

Vice Mayor Hutson suggested that an RFP be issued with a "no contact clause" for Council, which would eliminate a lot of problems. Council might want to consider having public input at the general meeting where the participants make their pitch to Council. Councilmembers are charged with protecting the peoples' assets. What people in an area might want may not be the best thing for the City as a whole.

Councilmember Mitchell added that Council is charged to set the vision and the course for the City and staff helps implement that vision and set that course. It should be Council's discretion as to what that vision should be for a particular area with feedback from General Plan 2030, conversations with staff, and the community as a whole. The Boards and Commissions should also be utilized with an RFP.

DIRECTION: Staff was directed to proceed with the January 20th meeting.

Agenda Item 2 – Development Services Ordinance Update 0414 No Material

Chris Anaradian summarized that Council recently approved some minor modifications to the Zoning and Development Code. Staff is testing theories of acceptable building lighting using some buildings under construction and some of the infrastructure to determine appropriate modification of that ordinance. Staff should be able to return to the Committee in March or April.

Staff is also working with Community Development staff regarding historic preservation and incorporation of a new concept of zoning called "form-based zoning."

- Under this concept, land use planning places a higher priority on the design incentive, with more emphasis on what the structures look like as opposed to uses in those structures.
- Staff wants to test it out in an historic preservation section, as well as in one or two other strategic areas of downtown near light rail, and will be working this spring with the applicant on the Maple/Ash project.
- By mid-year, staff hopes to complete the framework and take another look at Maple/Ash with the commission.
- Regardless of how Maple/Ash works out, staff believes this type of zoning will help establish design standards and minimize concerns that come with redevelopment

Earlier this year, the North Tempe Neighborhood Association petitioned Council and Council gave staff direction to look at corridor studies and staff is completing a draft of the Scottsdale Road corridor. If this project is successful, a draft will be given to this Committee, and staff would like to replicate this sort of work on Elliot, Broadway, Apache, etc. For example, if two

properties are going to require on-site retention, maybe a group of properties can share a retention basin and create a public park. The new neighborhood specialist staff will be used to create a process that doesn't raise expectations too high but still provides good input.

Councilmember Mitchell suggested that staff review the study done several years ago by the ASU planning group.

Vice Mayor Hutson added that staff should plan to conduct some education on form-based zoning.

Agenda Item 3 – Development Project Update 0111-03 No Material

Chris Salomone provided a status update on proposed major hotel development projects.

- Pier 202 – have their feasibility study, don't have their hotel selected yet
- Le Meridien – in design work, have funding in place
- Aloft – in preliminary submittal
- Residence Inn – has funding in place and a letter of commitment from Marriott
- 7th & Mill – Paragon Development has submitted at the former Long Wong's site, with a Marriott product
- Westin – Starwood has given a letter of commitment to University Square
- Homewood Suites – a Hilton extended stay product at Rio Salado & McClintock

Staff commissioned a study to determine the absorption rate for the City and the study revealed that in the current market, Tempe could absorb 1000 rooms and we are on track to do that. He recently presented this to the Tourism and Amateur Sports Committee and Councilmember Mitchell commented on the conference meeting space issue. As a point of reference, Mission Palms has 25,000 sq. ft. of meeting space. Tempe doesn't have a large conference center and staff will have a study done on the conference center market. That should be done in about 90 days.

Councilmember Mitchell stated that studies have been done and he asked staff to check the studies done by Johnson & Associates and the Tourist Destination Task Force. He is concerned about what can be done to increase the conference meeting space. Tempe has a niche to supplement and complement what Phoenix is doing because of light rail. Phoenix doesn't have enough room space in the downtown to accommodate their convention center.

Mr. Salomone added that with Marketplace coming, he would like the retailers and restaurants to know that with tourists coming to the Mill Avenue area, they might want to jump into that market early and that might help Mill Avenue with the impact.

DIRECTION: Vice Mayor Hutson asked staff to send of copy of this handout with a cover letter to the restaurant people.

Agenda Item 5 – Review Proceeds from Land Dispositions

Chris Salomone summarized that Pier 202 is the main one to consider.

- Pier 202 is on schedule to submit in January.

- They have done \$3M-\$4M of due diligence, the traffic studies, and their marketing studies, so they are on schedule to go through the entitlement process in the Spring and break ground in June at the latest.
- The first drawdown will probably be in May.
- Their first phase has grown and it looks like it will be between 35% to 40% of the project. They want to do the hotel, office, retail and part of the residential in the first phase. That is right in the middle of the project which creates a crucial mass of the project and that might be in the area of \$16M to \$20M.

Mr. Salomone continued that the City has three acres by the transit station at the 101 and mobile home residents have been relocated. That will be ready to bring into the market and staff will return to the Committee on that. There are also some small parcels on Apache Boulevard that can be discussed. The 60 acres around the Lake, mainly to the west of the Center for the Arts, will be discussed on January 20th. In total, that's \$16M per year.

Vice Mayor Hutson added that the Ash Avenue property still needs to be discussed. We need to know what the anticipated revenue is going to be versus what the reserve requirement is going to be and then how much is left. It is important to take care of the reserves first.

Jerry Hart added that in discussing the \$42.5M from Pier 202 during last year's budget process, the CIP budget did include a plan that assumes a portion of that money being used to eventually replace the rubber dams on the west end of the Lake. In the current budget discussions, there is a gap on both the operating side and the CIP side, which is typical. Last year, Council talked about the concept of looking at our rainy day reserve which is currently \$8M. Council talked about the need to raise that reserve level to as much as \$16M to provide protection for the next economic downturn.

There was discussion on the rubber dam guarantee and Vice Mayor Hutson felt it was important to go back to the meeting in 1997 or 1998 where the Council was given the proposal of a 25-year guarantee on the rubber dams. Public Works is going to have someone come in to analyze them and that will give us a better idea, but we need to find that information.

Councilmember Mitchell added that about four years ago when the Rio West property was sold, we put out an RFP and the figure was \$10M. Over half of that money went to Rio Salado for a dam.

Mr. Hart clarified that the total received was about \$9.2M, and about \$5M went into the Rio Salado operating reserve, not for the dam, but the fund that is set up to cover the operating costs for Rio Salado until development around the lake generates revenue. As of June 30th, the Rio Salado operating reserve is \$5.1M, so that is another consideration for Council. There is a 25% reserve requirement in our general fund revenues and we are well within that requirement.

Agenda Item 6 – Other Post-Employment Benefits (OPEB) Update 0303 - 03 - 01

Tom Duensing summarized that at the October 17th committee meeting, staff laid out recommendations for the establishment of a new and completely separate retiree healthcare benefit plan for new hires. At that meeting, staff was directed to meet with members of the employee groups and this has been done. He summarized the recommendations and comments and/or revised recommendations for the committee to consider.

There was discussion regarding comparison of monthly out-of-pocket costs with the proposed plan with no City subsidy and with a flat subsidy and the impact on retirees, annual review for adjustments to the annual subsidy amounts, comparison to other Valley cities, encouragement of longevity, actuarial studies, and importance of addressing this now.

Mr. Duensing added that staff is seeking direction for next steps. Staff would like to make it very explicit in the plan that the City does reserve the right to change this plan if financial conditions warrant.

Vice Mayor Hutson added that he didn't expect the program for the current employees to happen in 2007. This is too important and employees need a long time to think about this.

Amy Douglass, TSC representative, stated that the overriding concern for current employees is that eventually the policy set for new employees will become the standard for everyone. People are being asked to remain for twenty years but this cuts them off at 65. There is also concern with the cap and also in terms of the retiree having to pick up the cost of the secondary insurance. Healthcare costs will continue to rise and the numbers will change.

Vice Mayor Hutson added that is why staff recommended the opportunity to review it annually for possible adjustments.

Mr. Hart added that Tempe is the only one in the State looking at this now. Over time, we will see changes in the other cities. Staff wants to ensure our plan is a little bit better than other Valley cities so that we maintain a competitive edge.

DIRECTION: Take the recommendations for the new hire program to IRS for discussion.

Agenda Item 7 – FY 07/08 Budget Process Update 0205-23-01

Cecilia Robles summarized that both the CIP and the operating budget process are progressing smoothly. On the CIP side, the discovery meeting has been held and in January, staff will follow up with individual departments. On the Operating Budget, the deadline for submitting supplemental requests has been finalized. All departments were issued base budget allocation targets and have submitted their base budget requests. Staff will soon have a good idea of the total number of requests citywide.

Jerry Hart further summarized:

- There are a number of supplemental requests that have been submitted for Council consideration.
- The OPEB issue still needs to be resolved.
- A key part of the entire budget process is the update of the 5-year long range forecast and staff hopes to have a draft by the end of this month and will bring it to the Committee sometime in January and subsequently to Council in an IRS. That long range forecast will show how excess revenues over expenditures available for Council consideration to fund any of these supplemental requests for next year.
- Council just approved an amendment to the TOA agreement that will have an approximate \$2M budgetary impact beginning in 2007/2008. That comes off the top of whatever excess is forecast.

- Staff will work with the City Manager to bring forward a recommended budget that includes recommended supplementals.

Vice Mayor Hutson added that staff will have the opportunity to present the OPEB recommendations again in IRS before the budget process.

Ms. Robles distributed a summary on all the items adopted as part of the Ad Hoc Budget and Finance Planning Committee. This excludes any items that were referred to committees and includes all the items that were included as ideas. Of the approximate \$1M that these ideas were projected to generate, probably about 66% of the revenue will materialize due to timing issues.

Agenda Item 8 – Public Works Traffic Fees, Accident Cost Recovery 0210-05

Carlos de Leon summarized the concept of additional fees for traffic control. Part of the responsibility of the Transportation Division is to make sure that the construction done in the roadway is done in a safe manner and traffic can continue to flow unimpeded. A lot of time has been spent coordinating between all the projects. Some staff, ordinarily dedicated to other traffic control issues, have been dedicated to address the increased workload due to construction. Other cities provide those services and charge fees:

- Review fees
- Single permit fees
- Annual permit fees for public utilities
- Violation fines
- Congestion fees
- Sidewalk/Bikeway Closure Fees

DIRECTION: Explore and bring back for the meeting on January 16th. Put it on the IRS for January 18th.

Brenda Buren summarized information on accident cost recovery. There are three primary alternatives:

- A third party vendor charges cost recovery for accidents, etc. Many times they don't recover the full amount, recovering about 25% of the total and taking 20% of that as their fee. This one generates a lot of public concern.
- After adjudication of an accident when someone gets a citation for an accident and they were found responsible, we could then attach a nominal fee for officers' time.
- With a selective type of accident, such as DUI, a restitution and recovery piece could be included and if it gets adjudicated through the court process and that person is found responsible, they would be required to pay that restitution.

Vice Mayor Hutson stated that he thought the insurance companies were billed directly.

Ms. Buren responded that the third party vendor handles that. They bill them first, but are only getting about 15% back. The insurance industry has responded to that pressure and has tacked that on to the consumer. If the person is uninsured or the insurance company refuses to pay, it goes directly to the individual.

There was discussion about the possibility of including a fee on anyone convicted of a DUI, DUI accident, and anyone issued a citation for an accident and found guilty.

DIRECTION: Staff was directed to do further research and return to the Committee with a court representative.

Agenda Item 9 – Arizona Center for Consumer Education 0606-01-02 No Material

Valerie Hernandez stated that Vice Mayor Hutson had been interested in providing additional services to employees wherever possible, especially with financial planning. Staff was contacted by the Arizona Center for Consumer Education who had received a grant to provide financial planning and money management at no cost. Staff is exploring with them an opportunity to provide some “brown bag lunches” for money management through the Tempe Learning Center.

Vice Mayor Hutson added that this item has now been transferred to the Education & Technology Advancement Committee and Councilmember Shekerjian.

DIRECTION: Meet with Councilmember Shekerjian and bring her up to speed.

Agenda Item 10 – Miscellaneous Open Items

- Departmental Communication Inventory 1002
Jerry Hart provided an update on departmental communication devices. He presented a handout listing the information.
- Employee Fuel Benefit No Entry - No Material
Jerry Hart reported that staff has investigated using the City's purchasing power for fuel. Staff met with Bob Stoudt, Fleet Services Manager, and he indicated there would be no savings because there would have to be some money spent to actually set up the facilities to handle this. Julie Hietter looked into the possibility of this being a pre-tax item, and that is also not available.
- Fees & Procurement Code 1004-03 No Material
Vice Mayor Hutson stated that the Development Services fees and Town Lake special event fees must come to the committee in January before going to Council in February.

Jerry Hart added that a review of the procurement code for possible update is part of the work plan. Council wants to develop some kind of plan to review the entire code. He asked if staff should start addressing the procurement code now, or wait until a schedule is developed.

DIRECTION: Move forward with review of procurement code, one piece at a time, one piece each month.

Agenda Item 11 – Future Agenda Items

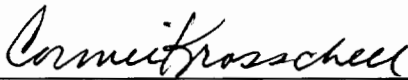
Public Works Traffic Fees

Accident Cost Recovery

Development Services Fees and Town Lake Special Event Fees

Meeting adjourned at 4:00 p.m.

Prepared by: Connie Krosschell

A handwritten signature in cursive script, reading "Connie Krosschell", written over a horizontal line.

Connie Krosschell
Acting City Clerk